



婦女事務委員會
Women's Commission

Our ref. : LWB T2/7/1-55/1 Pt.1

Tel no. : [REDACTED]

Fax no. : 2501 0478

21 September 2012

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong
(Fax: 2524 0149)

Dear Sir / Madam,

Re: Consultation Paper on Board Diversity

In response to the consultation paper on board diversity published by the Hong Kong Exchanges and Clearing (HKEx) on 7 September 2012, the Women's Commission learns with pleasure that HKEx has taken forward our previous recommendations regarding women's representation on corporate boards and issued the current consultation paper to amend the Corporate Governance Code (the Code) in order to give due consideration to board diversity. Our views and recommendations on the proposed amendments are set out below for your consideration.

Overall direction

The Women's Commission is in general supportive of the proposals that the nomination committee or the board should have a policy concerning diversity of board members, and that the policy or a summary of the policy, including any measurable objectives that it has set for implementing the policy and progress on achieving the objectives, should be disclosed in the corporate governance report. A note clarifying the definition of board diversity under the Code provisions is also welcome. Regarding the implementation date, we prefer adopting the amendments on 1 January 2013 in order to reflect the importance of the subject matter.

Gender diversity on board

Promoting equal participation of women and men in decision-making in both public and private arenas is one of the Women's Commission's priority objectives. We suggest that among board diversity which covers attributes of age, race, cultural, educational and professional background, gender diversity should be given particular emphasis for the following reasons:

- i. unlike cultural background, professional experience and other abstract characteristics, information on gender can be obtained with relative certainty. This provides the issuers and investors with an objective and readily measurable indicator to evaluate the extent of board diversity;
- ii. although women's educational attainment and social status have risen progressively in tandem with a steadily increasing share within the labour force, women are still under-represented in senior management, particularly in corporate boards. Placing emphasis on gender diversity allows the issuers to improve the inadequate participation of women on boards and expand the pool of talents available;
- iii. in recent years, extensive studies and research with reliable statistics have ascertained that having a higher proportion of women on corporate boards can help the issuers outperform their rivals. One research found that companies with more women on boards typically boosted company performance with 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity.¹

Gender benchmark

The Women's Commission has been actively taking measures to enhance women's participation in decision making. In the public policy arena, we have continuously worked with the Government to enhance representation of women in government bodies which resulted in the introduction of a gender

¹ *The Bottom Line: Corporate Performance and Women's Representation on Boards*, L. Joy, N.M. Carter, H.M. Wagener, S. Narayanan, Catalyst (2007)

benchmark of 25% on appointment of members to Government advisory and statutory bodies (ASBs) since 2004. Women's participation rate in ASBs reached the target of 25% in overall terms in December 2005 as compared with 17.5% in December 2000. After a review of the situation, the Government accepted the Commission's advice in 2010 to raise the gender benchmark target further from 25% to 30%. With the effort contributed by relevant bureaus and departments, women constituted 32% of Government appointed non-official members in ASBs as of June 2012.

Similar to the measures adopted by the Government to ensure gender diversity in public policy making, we believe that proactive measures should be taken to enhance the percentage of women on boards among Hong Kong issuers. In order to achieve a noticeable difference especially at the initial stage of introducing gender diversity, it is proven by the Government experience that a gender quota would be helpful and can give fresh impetus to increasing women's participation in decision-making positions. As mentioned in our previous submissions, we propose that HKEx should consider introducing a new Recommended Best Practice to set a gender benchmark of 25% on appointment or nomination of directors on issuers' boards, with an aim to gradually increasing this percentage in the long run.

We look forward to receiving your favourable response to our views and recommendations above. Please feel free to contact us for further exchange on the subject if necessary.

Yours faithfully,

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Chairperson, Women's Commission